



BUILDING FOR THE FUTURE

ANNUAL REPORT 2005-2006



NORTHWEST TERRITORIES
HOUSING CORPORATION



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BUILDING FOR THE FUTURE

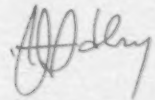
The Northwest Territories Housing Corporation continues to work diligently towards improving housing conditions for the residents of the North. Helping northern residents' deal with their housing needs is the thread that joins all the Corporation's activities. We are especially pleased with the number of clients that the Corporation and its partners were able to assist over the past year. Next year promises to be very busy with new housing construction which means more homes for our residents.

The Honourable Anthony W.J. Whitford,
Commissioner
Government of the Northwest Territories

Dear Sir,

I have the honour of presenting the Annual Report for the Northwest Territories Housing Corporation, covering the period of April 1, 2005 to March 31, 2006.

Respectfully submitted,



Honourable Joseph L. Handley
Minister Responsible for the
Northwest Territories Housing Corporation

MESSAGE FROM THE MINISTER



The focus and the theme of the Northwest Territories Housing Corporation activities during fiscal year 2005-2006 are best described with the words "Building for the Future". In building now, we are securing the future and supporting both our residents and our communities.

For the Corporation, the theme of this year's Annual Report demonstrates the solid contribution made through the delivery of housing programs to northern residents. Housing is about building a future that goes beyond accessing affordable, suitable and adequate homes. The comfort of a safe and secure home supports opportunities to grow as individuals and as families. It also promotes a sense of pride and self-reliance, provides a strong foundation to live independently, and to exercise self-determination. These are important values that surpass the bricks and mortar of a house.

"Building for the Future" also describes my efforts and the collective efforts of the entire staff at the Northwest Territories Housing Corporation to strengthen housing in the North. We have lobbied the federal government to secure increased housing dollars and put in motion several solid housing strategies that will yield favourable results in the coming years.

I am excited about the potential for new housing in the north. The 15th Legislative Assembly has prioritized housing and specifically, the reduction of housing core need by ten percent by the year 2007.

This challenge and the work necessary to meet this target are underway now and will continue to be a priority for the Corporation. The building blocks are in place. The Corporation is poised to significantly increase the amount of "on-the-ground" housing for northern residents in all of the North's communities.

Together we will move forward through new partnerships with communities and a renewed sense of consultation and cooperation. By working together we will realize the housing potential for all northern residents.

A handwritten signature in dark ink, appearing to read "J. Handley".

Honourable Joseph L. Handley

MESSAGE FROM THE PRESIDENT



Investment in communities and people strengthens the Corporation's belief in "Building for the Future". Together we share the responsibility to promote and support an environment that encourages self-reliance in people and communities to better

meet the North's housing needs.

During Fiscal Year 2005-2006, the Corporation and its partners delivered approximately \$21 million in housing programs. This strong program delivery is a testament to the support we received from our stakeholders and of our determination to improve housing conditions throughout the Northwest Territories.

The year brought about the transfer of the Public Housing Subsidy Program to begin the consolidation under one umbrella of all GNWT subsidy programs. The Corporation's responsibility for the Public Housing Subsidy Program came to an end on March 31, 2006. The administration and management of the subsidy program now rests with the Department of Education, Culture and Employment. The Corporation in partnership with the Local Housing Organizations will continue assisting residents to access public housing and the maintenance and operation of the public housing units.

With endings come new beginnings. Much effort over the past year was directed towards exploring

and investigating opportunities that will serve to better position the Corporation and support its efforts to increase the supply of affordable housing in the Northwest Territories. As you read further into the 2005-2006 Annual Report, we have outlined the preliminary work done that lays the building blocks to facilitate achieving the ultimate goal of more affordable housing for our residents. The driving force of all activities was the theme "Building for the Future".

The Corporation staff are excited about the year ahead and look forward to new homes and to new ways of doing things together. Improving living conditions throughout northern communities is an important guiding principle for Corporation staff. The coming new challenges and new opportunities serve to re-affirm our commitment to the residents of the Northwest Territories.

I wish to thank our housing partners, specifically the Local Housing Organizations, for their dedication and assistance in the new construction and in maintaining and repairing housing units over the past year. We look forward to continuing our collaborations over the coming years. Thank you to the staff of the Northwest Territories Housing Corporation as they continue to demonstrate their unwavering commitment and dedication to housing the residents of the North.

A handwritten signature in dark ink, appearing to read "Jeff Polakoff". The signature is stylized with a large, sweeping initial "J".

Jeff Polakoff, President

PATHWAYS TO NEW BEGINNINGS - "BUILDING FOR THE FUTURE"

In addition to the delivery of regular housing programs, the Northwest Territories Housing Corporation committed substantial resources in developing structures, policies and programs that will provide a strong foundation for "Building for the Future". It was essential that the Corporation engage in reviewing the basics and incorporate the North's changing social and economic development prospects so that upcoming housing opportunities are maximized to benefit our residents. As a result of this intensive evaluation period, the Corporation is now positioned to increase the volume of affordable housing in the Northwest Territories in the coming years.

Following are the major items that were examined during the past fiscal year. Some of these items will require ongoing attention as the benefits will occur in a more distant future, but are nevertheless crucial for planning the North's housing future and to better serve our northern residents.

Mandate

The transfer of the Public Housing Subsidy Program to the Department of Education, Culture and Employment constituted a significant change in the role of the Corporation which prompted a review and refocusing of its mandate to be released next year. The Corporation committed considerable time and effort to this sizeable task. Community consultations were undertaken to listen and gather input regarding the Corporation's mandate from northerners and community leaders. Comments heard were supportive and highlighted areas where there needs to be improvements. These comments have been consid-

ered and will be reflected in a refocused mandate.

The upcoming mandate will guide the Corporation in the future and provide clear direction to better serve northerners.

Mackenzie Gas Project

Resources were dedicated to support the Government of the Northwest Territories' overall position on the proposed Mackenzie Gas Pipeline project. The Corporation critically reviewed the housing references outlined in the Mackenzie Gas Project Environmental Impact Statement to ensure that identified housing mitigation efforts do act to reduce housing impacts from the development.

The Corporation developed two key recommendations which were included in the GNWT General Submission to the Joint Review Panel. These recommendations support short term temporary transitional housing for key impact communities to accommodate northern residents drawn to communities seeking employment and the conversion of workforce housing as a means to deliver long term affordable, energy efficient and quality built homes as a legacy benefit of the project.

Affordable Housing Initiative

The NWT Housing Corporation developed an Affordable Housing Initiative which was presented to the Government of Canada in December 2005.

The initiative is a bold plan designed to make significant improvements in housing conditions in

NWT communities in a short time frame.

Recognizing the need for a substantial concentrated effort to place on-the-ground affordable housing in communities, the Federal government was lobbied on many occasions to provide additional funding to address on a major scale the North's housing needs.

The Initiative is directed towards the construction of energy efficient new housing units for moderate to lower income families beginning in 2006-2007. There are two key factors driving the Initiative: Core Housing Need and Increased population growth projections.

According to the 2004 NWT Community Survey, there are approximately 2,260 households in the NWT experiencing problems of affordability, adequacy and accessibility. While this number has been reduced from 2000 levels it is still too high. The 15th Legislative Assembly has directed the NWT Housing Corporation to take steps to further reduce core need numbers. Compounding the challenge of reducing core need are the forces of increased demand for new housing from population growth and increased overcrowding. According to the NWT Bureau of Statistics May 2005 report, approximately 1,600 new homes will be required in the 30 aboriginal communities in the NWT from 2005-2014.

The Initiative calls for the replacement of older, inefficient public housing units and multi-configured units where appropriate in an effort to achieve energy savings and to address the increas-

ing demand for additional homes within communities.

In addition to benefiting the people who will live in these new homes, the Affordable Housing Initiative supports community infrastructure and sustainability through the development of new building lots; through the creation of employment within communities and supports capacity development within community organizations and for individuals through skill development.

We anticipate a favourable response from the Federal government. The Initiative's proposed 530 new energy efficient housing units will reduce core housing need and provide much needed affordable housing to our residents.

Program Consolidation

The Program Development and Implementation Section of the Corporation dedicated considerable time and resources to reviewing the many programs offered that provide homeownership assistance to northern residents. The review focused on streamlining and designing programs that are more user friendly for clients and staff. The new programs feature increased flexibility in application. The reduction in the number of programs through a comprehensive consolidation introduces the capacity to serve a greater number of clients without sacrificing housing assistance for residents in need. The needs of special interest groups such as seniors and persons with disabilities will continue to be met under the program consolidation.

As the Corporation enters into its fourth decade of operations, a restructuring of the programs portfolio is required to address the new direction being taken by the Corporation. The proposed consolidation in housing programs also considers changes occurring across the NWT such as self-government and community empowerment to ensure a smooth transition to community based delivery systems in the future.

The progressive and step nature of the proposed housing programming is designed to facilitate success for clients who desire independence and embrace self-reliance in their housing needs. Program roll-out is targeted for the next fiscal year following successful pilot testing.

Access to Suitable Land for Housing Development

Critical to the Affordable Housing Initiative is the need for additional new building lots suitable for residential construction. There is a critical shortage of developed building lots in NWT communities. The Corporation together with the Department of Municipal and Community Affairs (MACA) will initiate consultations with NWT communities on land tenure and land development matters in an effort to create new initiatives and new partnership arrangements that support the development of new suitable building lots.

Support from communities on land tenure for new building lots and for the development of additional new lots before construction begins is critical to the successful delivery of the new hous-

ing units. The Corporation will work with communities to develop the land and to create the land tenure instruments for construction to proceed.

School of Community Government

The Northwest Territories Housing Corporation is a participant in the Department of Municipal and Community Affairs' School of Community Governments. The Corporation has a specific interest in assisting with the Housing Capacity Development Training Courses. The courses have curriculum for Housing Managers, Assistant Housing Managers, Tenant Relations Officers and Building Maintainers. The Local Housing Organizations have enrolled employees and graduates of the program are on staff. Additionally, the Corporation provides financial assistance to the School of Community Government.

Research and Development Activities

The Corporation staff continued to investigate in house and support through private industry to advancing construction and energy efficiency standards for northern conditions in through research and development.

Following are several examples of projects undertaken during fiscal year 2005-2006

- The Corporation responded positively to a request to provide technical expertise during the design phase of an innovative housing product suitable for northern climate.

- A preliminary investigation into the economic viability of converting a residence in Fort Smith to electric heat was undertaken by the Corporation technical staff with assistance from Arctic Energy Alliance. It was determined that oil-fired heating systems are more cost-effective than electric at present oil and electricity prices.
- Corporation representatives met with the principals of Earthcel, a foam insulated panel manufacturing company. Additional information on design specification and energy efficiency has been requested on this innovative building system.
- The potential of high efficiency residential heating systems were investigated for use in the North. Three of the systems have been installed in Hay River for evaluation and comparative purposes with the more conventional heating systems.
- Replacement of ten standard Monitor heating stoves with energy-efficient Toyo stoves was undertaken in the Aklavik seniors' housing units. Data on fuels consumption rates is being collected for analysis.
- A greywater recycling project is underway with the help of an internationally-recognized Canadian scientist who will be working with a local consultant. The objective is to develop a water recycling system that will not only reduce the cost of water to the Corporation but also increase the quantity of water available for use by tenants.
- The Corporation is participating in the GNWT's Energy Coordinating Committee Working Group to develop a Cabinet/FMB Decision Paper on demand side energy management measures. The Decision Paper is to recommend effective immediate actions to reduce energy consumption in response to recent energy cost increases.

STANDARD PROGRAMMING AND INITIATIVES



To ensure that residents of the Northwest Territories have access to housing that is suitable, adequate and affordable, the Corporation provided in Fiscal Year 2005-2006 a diverse range of programs for eligible residents.

Programs offered by the Corporation

- The Expanded Downpayment Assistance Program provides clients with a downpayment to construct, purchase, repair or expand a new or existing home. Clients also obtain additional money from a financial institution.
- The Independent Housing Program assists lower income people in eligible communities to obtain, and or repair a modest home.
- The Senior Citizens Home Repair Program assists Senior Citizens who own and occupy their own home to make repairs necessary for a safe and healthy residence and to maintain an independent lifestyle.
- The Sale of Housing Material Program provides clients with an opportunity to purchase housing material packages.
- Elders on the Land, provides modest shelter for people who pursue a traditional lifestyle and live outside community boundaries.
- The Senior and/or Disabled Preventative Maintenance Initiative provides assistance to clients for annual maintenance checks/ servicing and minimal repairs necessary for safe and healthy living.
- The Sale of Public Housing Initiative assists clients to purchase their public housing units and become homeowners.
- The Pile Repair Program assists clients in existing homes to undertake emergency repairs to their wood piling foundations to restore the structural integrity of the foundation.
- The Loan Guarantee Program provides the necessary security for a financial institution to proceed with lending money to clients for the purposes of purchasing, building or repairing a new or existing home.
- Corporate Loan Guarantee Program provides bridge (interim) financing in the form of loan guarantees to lending institutions to support and promote the development of new residential construction in the NWT.
- The Public Housing Program provides subsidized rental housing to individuals or families in Core Housing Need. Public Housing includes units for families, single persons, persons with disabilities and Senior Citizens. The units are owned by the NWT HC or leased from private development owners.

Refinancing the NWT HC Mortgage Portfolio aids to minimize dependence on the government and encourages current homeownership clients to seek financing from a financial institution.

- The Shelter Enhancement Program provides financial assistance for repair and improvements to shelters for victims of family violence.

Partnership with the Canada Mortgage and Housing Corporation (CMHC)

- Social Housing Agreement provides a long term funding arrangement between CMHC and the NWT HC to pay for the operating and amortization costs of our public housing portfolio.
- Introduced in 2001, the Affordable Housing Program which provided a limited financial contribution over a three year period concluded during this fiscal year.

Renovation Programs:

- Home Adaptations for Seniors Independence provides financial assistance to clients to carry out minor home adaptations.
- The Homeowner Residential Rehabilitation Assistance Program provides financial assistance to lower-income homeowners needing to repair their homes to a minimum level of health and safety.
- The Emergency Repair Program assists clients with emergency repairs for the safe occupancy of their homes.

OUR PROGRAMS IN ACTION

Each year, the Northwest Territories Housing Corporation's District Offices are provided operating resources as part of the Corporation's overall management systems. Based on the allocations, discussions are undertaken with community representatives to determine their housing needs and how best to allocate the funds to better meet their housing needs. As well, the yearly program application intake assists in identifying housing needs and potential clients by community and by District.

The following is a detailed summary of programs delivered to the residents of the Northwest Territories to help improve their housing and meet their needs. In summary, the Corporation completed close to over 1,000 projects at an approximate cost of \$25 million.

Some households may have received more than one program. For example, one household may have received assistance through the Senior and/or Disabled Preventative Maintenance Program and a Senior Citizens Home Repair Program.

Sahtu District Office, Norman Wells

The Sahtu District's Office provides housing programs and infrastructure to the communities of Norman Wells, Fort Good Hope, Colville Lake, Deline and Tulita. A total of 154 projects were completed that provided assistance to households in need. The sum of the projects is approximately \$5,828,000 which generated economic activity and increased community infrastructure. Below is a breakdown by program and infrastructure.

29	Modernization and Improvements
60	Senior and/or Disabled Preventative Maintenance Program
33	Independent Housing Program
4	Senior Citizens Home Repair Program
2	Emergency Repair Program
7	Residential Rehabilitation Assistance Program
2	Disabled Rehabilitation Assistance Program
5	Public Housing Units
8	Market Housing Initiative
3	New Home Construction - Spec Unit
1	Expanded Downpayment Assistance Program

South Slave District Office, Hay River

The South Slave District's Office provides housing programs and infrastructure to the communities of Hay River, Fort Smith, Fort Providence, Hay River Reserve, Fort Resolution, Lutsel K'e, Enterprise and Kakisa Lake. A total of 232 projects were completed that provided assistance to households in need. The sum of the projects is approximately \$5,625,000 which generated economic activity and increased community infrastructure. Below is a breakdown by program and infrastructure.

80	Modernization and Improvements
87	Senior and/or Disabled Preventative Maintenance Program
27	Independent Housing Program
8	Expanded Downpayment Assistance Program
17	Senior Citizens Home Repair Program
7	Emergency Repair Program
2	Residential Rehabilitation Assistance Program
3	Construction Trades Access Project
1	New Home Construction- Spec Unit

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North Slave District Office, Yellowknife

The North Slave District's Office provides housing programs and infrastructure to the communities of Behchoko, Wekweeti, Gameti, Wha Ti, Yellowknife, Dettah, and N'dilo. A total of 280 projects were completed that provided assistance to households in need. The sum of the projects is approximately \$3,463,000 which generated economic activity and increased community infrastructure. Below is a breakdown by program and infrastructure.

104	Senior and/or Disabled Preventative Maintenance Program
108	Independent Housing Program
9	Expanded Downpayment Assistance Program
11	Supported Lease Program
19	Senior Citizens Home Repair Program
5	Emergency Repair Program
7	Residential Rehabilitation Assistance Program
1	Disabled Rehabilitation Assistance Program
8	Public Housing Units
4	Market Housing Initiative
4	New Home Construction- Spec Unit

Nahendeh District Office, Fort Simpson

The Nahendeh District's Office provides housing programs and infrastructure to the communities of Fort Simpson, Wrigley, Fort Liard, Nahanni Butte, Jean Marie River and Trout Lake. A total of 99 projects were completed that provided assistance to households in need. The sum of the projects is approximately \$2,505,000 which generated economic activity and increased community infrastructure. Below is a breakdown by program and infrastructure.

27	Senior and/or Disabled Preventative Maintenance Program
15	Modernization and Improvements
18	Independent Housing Program
1	Expanded Downpayment Assistance Program
7	Senior Citizens Home Repair Program
22	Emergency Repair Program
8	Residential Rehabilitation Assistance Program
1	Mortgage Assistance Program

Beaufort-Delta District Office, Inuvik

The Beaufort-Delta District's Office provides housing programs and infrastructure to the communities of Inuvik, Tuktoyaktuk, Sachs Harbour, Paulatuk, Ulukhatok (Holman), Akalvik, Fort McPherson and Tsiigetchic. A total of 275 projects were completed that provided assistance to households in need. The sum of the projects is approximately \$7,815,000 which generated economic activity and increased community infrastructure. Below is a breakdown by program and infrastructure.

100	Modernization and Improvements
89	Senior and/or Disabled Preventative Maintenance Program
3	Independent Housing Program
11	Expanded Downpayment Assistance Program
21	Emergency Repair Program
19	Residential Rehabilitation Assistance Program
1	Disabled Rehabilitation Assistance Program
3	Home Adaptations for Seniors Independence
1	Pile Repair Program
7	Elder on the Land Initiative
1	Market Housing Initiative
16	Public Housing Units
3	New Home Construction - Spec Unit

MARKET HOUSING INITIATIVE PHASE II

The Northwest Territories Housing Corporation continued the implementation of Phase II of the Market Housing Initiative (MHI) in 2005-2006. Phase II is the final phase of a two year commitment to put in place affordable non-subsidized market rental units in non-market communities.

In 2003, the lack of rental housing in non-market communities was identified by the Government of the Northwest Territories as a barrier in the hiring and retention of essential services personnel needed in communities. In response to this specific housing challenge, the Corporation was directed to develop the Market Housing Initiative to help reduce housing pressures faced by non-market communities in a condensed time period.

Phase II

Phase II of the Market Housing Initiative consists of ten factory built duplex buildings providing 20 one bedroom suites.

The Phase II units were allocated to five non-market housing communities: Norman Wells - 4 duplexes; Akalvik - 1 duplex; Behchoko - 3 duplexes; Tulita - 1 duplex; and Wha Ti with one duplex.

This year's mild winter impacted the load capacity on the winter roads and prohibited the delivery of a duplex unit. Weather permitting, the unit will reach Wha Ti in Winter 2007.

Expression of Interest by Business Communities

The Corporation is pleased to report that Phase I activities in 2004-2005 generated interest from private developers. The positive results of increasing affordable housing availability in non-market communities were noticed and have drawn private developers to consider investment in the development of new market housing units in small communities.



STAFF PROFILE - KRIS SCHLAGINTWEIT



Kris Schlagintweit moved north after graduating from the University of Toronto with a Bachelor of Architecture. Back then, Kris saw the tremendous potential of the North and still sees that potential today.

Kris began working for the Northwest Territories Housing Corporation in 1993 in Construction Services, Operations Division in Yellowknife. She has held the position of Manager, Construction Services and was recently Acting Manager of Design. Her days are filled with evaluating proposed housing designs, suggesting modifications, undertaking research, and coordinating construction related issues with the primary goal of energy efficient, practical housing layouts built for northerners. The combination of her roles has brought valuable perspectives to the Corporation's building programs. Kris enjoys brainstorming with her colleagues as it creates a dynamic work atmosphere and generates a flow of ideas within Construction Services.

Kris values her travels to and working with communities and with the Corporation's District Offices. She appreciates the challenges of actual housing delivery and feels that knowing the reality of living in Corporation assisted housing is valuable. "To me, the key to meeting the Corporation's challenges is for Corporation staff at all levels to spend time in the communities, and with the people who make the delivery happen such as

the Local Housing Organizations, and District Offices."

"Delivering appropriate housing solutions" is easy to say - yet it remains a challenge. Kris believes that working with community members to make the design and delivery of housing culturally relevant in an economically evolving territory will help the Corporation meet the North's housing challenges.

From a construction perspective, Kris believes the Corporation will continue to be challenged to provide affordable housing to individual families, and to respond to the need for larger facilities such as seniors' housing. "Housing is really one of the basic necessities. Developing the full potential of individuals and as responsible members of communities really begins with suitable housing".

Kris appreciates the distinctive corporate culture at the Corporation. "It encourages innovative solutions, at all levels, which keeps work exciting and employees motivated."

LONG SERVICE RECOGNITION AWARDS

The Northwest Territories Housing Corporation is proud of its success in attracting, developing and retaining a strong, dedicated group of employees. Each year, this achievement is celebrated through the Long Service Recognition Awards program. For fiscal year 2005-2006, the following people reached key service milestones.

Congratulations to all. We appreciate your many years of dedicated service to the Government of the Northwest Territories.

25 years	Marshall Wilson, HQ Operations
20 years	Glen Collins, HQ Operations
15 years	Elaine Arnott, HQ Executive
	Ioan Astle, HQ Programs
	Sheldon Grayston, HQ Finance
10 years	Kimberley Squires, Nahendeh District Office
	Loretta Hopkins, Beaufort-Delta District Office
5 years	Rudolf Mouthaan, HQ Informatics
	Micheal Keohane, North Slave District Office
	Cheryl Kaglik, Beaufort-Delta District Office
	Michael Scott Reid, Beaufort-Delta District Office
	Doris Erasmus, Nahendeh District Office
	William Enge, HQ Policy





FINANCIALS

Management Discussion & Analysis

The NWT Housing Corporation continued to develop and implement strategies which reflect the Vision and Mission of the Corporation and to develop and promote sustainable housing in light of the constantly changing environment.

Vision

The Northwest Territories Housing Corporation is committed to working in partnership with communities and Aboriginal groups to assist them to become responsible for their own choices in housing. By working together, all community residents are provided with opportunities for homes that support a healthy, secure, independent and dignified lifestyle.

Mission

The Northwest Territories Housing Corporation, in partnership with NWT residents and community organizations, is responsible for the provision of adequate, suitable and affordable housing. Through the fulfillment of this responsibility, the Northwest Territories Housing Corporation contributes to the development of a healthy NWT housing industry, which has a positive impact upon territorial, regional and local economies.

Mandate

The mandate of the Northwest Territories Housing Corporation is to assist communities to assume the role of providing housing to their residents and to contribute to Northern economic development. This is achieved by providing mentorship and support to communities in the areas of technical research and services, financial support, information sharing, training, and economic development.

Highlights and Challenges

In terms of achievements, the Corporation had a number of successes and challenges in the past year. Corporation construction activities included 29 public housing units, 13 market housing units and 85 new homeownership units. Funding was provided to complete 204 home repairs across the NWT. As well, 328 Modernization and Improvement (M & I) projects to upgrade or renovate existing rental housing stock were funded.

In addition, the Housing Corporation continued its loan guarantee program to support private market developers and assist with the development of additional market rental and homeownership homes. Over \$11 million in corporate loan guarantees were on the books as of March 31, 2006. The guarantees on interim financing assist private sector companies build or upgrade single or multi-unit residential housing for rental accommodation or for the homeownership market.

These strategies are working to provide the much-needed support to increase housing capacity and keep pace with the current cycle of economic expansion. The Housing Corporation continues to work with the private sector in the development of specific goals and strategies to assist with the expansion of private housing and to establish an environment that encourages new construction of private housing.

During 2005-06, the Federal Government was lobbied to provide additional funding for affordable housing. Housing concerns were heard and the First Ministers Meeting in Kelowna specifically addressed some of the three northern territories housing matters. It is anticipated that the Federal government will provide \$50 million for the construction of new affordable housing in the NWT. Every community in the Northwest Territories will see new units constructed using this funding. Housing

will be delivered under the Corporation's new Affordable Housing Initiative that will utilize new Federal funding along with matching funds from the GNWT to construct 530 new housing units over three years beginning in 2006-07.

Despite the continuing success of the Corporation's program delivery and the future delivery under the Affordable Housing Initiative, there remain serious challenges that impact on the ability of the Corporation to deliver housing. A primary challenge is the availability of developed land on which to build units. The Corporation currently has a limited number of suitable developed building lots with land tenure. Securing sufficient and suitable building lots to meet delivery targets will be a major challenge in the future delivery of new units. In recognition of this the Corporation has joined with the Department of Municipal and Community Affairs to develop a working relationship to ensure that suitable land is available for housing construction in every community in the Northwest Territories.

The Corporation continues to see a substantial lack of supply of Northern skilled trades and labour. As the economy goes into a phase of aggressive expansion, due in large part from the increased activity in mining and oil and gas, costs of construction continues to escalate.

The 2004 NWT Community Survey indicates that there were 2,260 NWT households in need of some form of housing assistance, a decrease of 467 from the 2000 Housing Needs Survey. This represents about 16 percent of all households in the territory, close to the national rate. If Yellowknife is removed from the calculations, the remaining NWT communities have approximately 22 percent of families in need, which continues to exceed the national rate. The next NWT Community Survey will be conducted in Winter 2008. Results from this survey will allow the Corporation to re-assess its allocation of resources, develop or refine housing programs, and plan new initiatives and strategies.

The total withdrawal of federal funding for new social housing has put a severe strain on the Government of the Northwest Territories' ability to meet the housing needs of our residents. As reported in last year's annual report, federal funding for the Operations and Maintenance (O&M) of the existing public housing portfolio will decline over a 34 year period - until 2038 when funding will equal 0 funding allocation. This reduced financial assistance began in fiscal year 2003/04 and continues on a yearly basis.

Operational Overview - 2005/06 Actuals

Funding	Program Expenditures	Service Allocation	Households Served
Territorial Government \$ 55.4 M	Rental Housing \$ 55.8 M	Public Rental Housing 2,300 units	30 Special Need Households
Federal Government \$ 18.4 M	Homeownership Program \$ 9.0 M	Supported Lease Program 74 units	582 Non-Elderly Single Households
Tenant Rent \$ 4.0 M	NWTHC Administration \$ 19.4 M	Non-profit, Co-ops 612 units	Low-income Families 1807 Households
Other \$7.2 M	—	Market Housing 73 units	567 Seniors Households
—	—	—	73 Non Subsidized Households
Total Funding \$ 85.0 M	Total Expenditures \$ 84.2 M	Total Units 3,059	Total Households Served 3,059

Financial Position

The Corporation's financial position remained strong for 2005/06. The Corporation continues to maintain a positive cash and cash equivalent position, as well as a solid working capital position. This is necessary to ensure future obligations can be met, particularly related to escalating construction costs and to mitigate any financial risk associated with the third party mortgages that the Corporation administers on behalf of Canada Mortgage and Housing Corporation (CMHC). The Corporation indemnifies and holds CMHC harmless for any risk on these mortgages, as provided under the Social Housing Agreement with CMHC.

The Corporation's total assets increased in 2005/06 by \$6.9 million or 4%. This increase was primarily due to increases in the investment in housing projects of \$5.3 million, including new seniors and singles public housing units and new Supported Lease units that may eventually be sold to our clients.

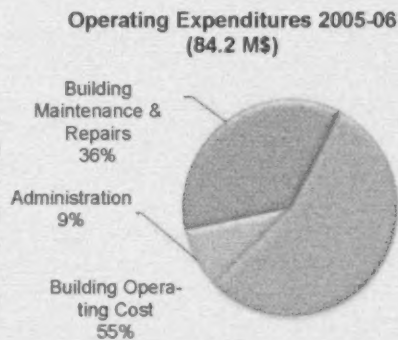
The Corporation's long-term debt has decreased by \$5.3 million in 2005/06 as mortgages with CMHC are beginning to expire and will expire at increasing rates over the next 10 years.

Consolidation

Effective April 1, 2005, the Corporation adopted "Accounting Guideline 15 Consolidation of Variable Interest Entities" issued by the Canadian Institute of Chartered Accountants, resulting in the Local Housing Organizations (LHOs) being consolidated with the financial statements of the Corporation. The impact of the consolidation is provided in Note 3 of the consolidated financial statements.

Operating Expenditures

Total operating expenditures for 2005-06 were \$84.2 million, an increase of 1.7 % over the previous year. The building operating costs related to our rental housing programs comprise 55% of all costs and continues to be the largest part of the Corporation's budget. The main components of the building operating costs include: utilities, taxes and land leases, interest on debt, amortization and property management services at the community level. These operating costs support approximately 3,000 units that are subsidized by the Corporation for the provision of social housing and an additional 73 market housing units.



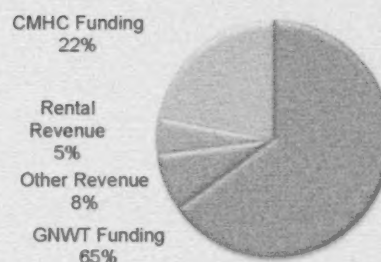
The chart also indicates that building repairs and maintenance are the 2nd largest component of the Corporation's operating expenditures. The costs of \$30.2 million include the ongoing repairs and maintenance, upgrades under the modernization & improvement program to maximize the useful life of these units, and for the provision of homeownership grants & contributions to support new private housing as well as improvements to the existing stock.

The Corporation also spent \$7.4 million in head office administration for the provision of support services to the districts, community housing organizations and our clients in the delivery of our housing programs and services.

Revenues

The Corporation received total revenues of \$85 million in 2005/06. The GNWT funding of \$55.4 million is provided as follows: \$18.2 million GNWT contribution; \$32 million in public housing rental subsidies from the Department of Education, Culture & Employment; and \$5.2 million for the amortization of deferred capital funding. Federal contributions, as provided under the Social Housing Agreement with CMHC, have decreased significantly from \$33.5 million to \$18.4 million. This difference of approximately \$15 million now flows to the GNWT and is provided to the Corporation from EC&E, as rental subsidies on behalf of the client to pay for the ongoing cost of the public housing program.

Revenue 2005/06 (\$85 M)



Other Revenues are made up of subsidy recoveries related to our mortgage portfolio; gains on disposal of capital assets; investment revenue; mortgage interest revenue; and other miscellaneous revenue and recoveries.

Capital Acquisition Plan Expenditures

The Corporation continues to make investments in capital infrastructure by replacing older housing units with new units and by renovating and upgrading to extend the useful life of its existing housing stock. The total capital expenditures for 2005-06 were \$13.1 million, an increase of 24% over the \$10.6 expended in the prior year.

2005/2006 Capital Acquisition Plan Expenditures (\$13.1 M)



Write-Offs

Tenant Arrears

Client Name	Amount
Deline	
Tetso, Patrick	\$10,125
	\$10,125
Fort Simpson	
Bain, William	\$1,220
Lafferty, Tina and Micheal	3,700
Sibbeston, Cheryl	203
Corneille, Edward	2,797
Yendo, Brenda	44
	\$7,964
TOTAL	\$ 18,089

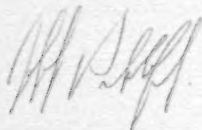
Management's Responsibility for Financial Reporting

To the Honourable Joe Handley
Minister Responsible for the
Northwest Territories Housing Corporation

The accompanying consolidated financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. Management is responsible for the integrity and objectivity of the data in these financial statements and other financial information and, where appropriate, the statements include estimates and judgements based on careful consideration of information available to Management.

Management has developed and maintains books of accounts, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled and that transactions are in accordance with the Financial Administration Act, the Northwest Territories Housing Corporation Act and policies of the Corporation. The Corporation's management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to a Territorial Crown Corporation.

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing her opinion on the consolidated financial statements of the Corporation. She also considers whether the transactions that come to her notice in the course of this audit are, in all significant respects, in accordance with the specified legislation.



Jeff Polakoff
President



J.B. (Jeff) Anderson, CGA, CPA
Chief Financial Officer

Yellowknife, Northwest Territories
August 14, 2006



Auditor General of Canada
Vérificatrice générale du Canada

Auditor's Report

To the Minister responsible for the
Northwest Territories Housing Corporation

I have audited the consolidated balance sheet of the Northwest Territories Housing Corporation as at March 31, 2006 and the consolidated statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for variable interest entities as explained in Note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, the consolidated financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the Financial Administration Act and regulations and the Northwest Territories Housing Corporation Act and regulations.

Guy LeGras, CA
Principle
for the Auditor General of Canada

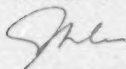
Edmonton, Canada
August 14, 2006

NORTHWEST TERRITORIES HOUSING CORPORATION**Consolidated Balance Sheet****As at March 31, 2006****(in thousands)**

	2006	2005 restated (Note 3)
<u>ASSETS</u>		
Current		
Cash	\$ 9,892	\$ 3,708
Short-term investments (Note 4a)	13,928	11,193
Accounts receivable (Note 5)	3,545	8,661
Due from the Government (Note 6)	-	1,288
Prepaid expenses	212	259
	<u>27,577</u>	<u>25,109</u>
Fixed-term investments (Note 4b)	<u>6,393</u>	<u>7,383</u>
Investment in housing projects		
Land and buildings (Note 7a)	140,005	135,054
Mortgages receivable (Note 7b)	3,806	3,416
	<u>143,811</u>	<u>138,470</u>
Property and equipment (Note 8)	<u>4,769</u>	<u>4,684</u>
	<u>\$ 182,550</u>	<u>\$ 175,646</u>
<u>LIABILITIES</u>		
Current		
Accounts payable (Note 9)	\$ 13,976	\$ 13,840
Current portion of long-term debt and capital leases	5,892	5,514
	<u>19,868</u>	<u>19,354</u>
Long-term debt (Note 10)	74,999	80,345
Obligation under capital leases (Note 11)	8,235	8,780
Employee future benefits (Note 12)	2,168	1,964
Deferred capital funding (Note 13)	67,620	58,803
	<u>172,890</u>	<u>169,246</u>
<u>EQUITY</u>		
Equity of the Government of the Northwest Territories	9,660	6,400
	<u>\$ 182,550</u>	<u>\$ 175,646</u>
Contingencies and commitments (Notes 17 and 18)		

Approved by Management:



President


Chief Financial Officer

The accompanying notes form an integral part of the consolidated financial statements.

NORTHWEST TERRITORIES HOUSING CORPORATION**Consolidated Statement of Operations**

For the year ended March 31, 2006

(in thousands)

	2006	2005 restated
		(Note 3)
Expenses		
Rental housing programs		
Utilities, taxes and land leases	\$ 15,216	\$ 14,785
Repairs, maintenance, and other costs	13,847	13,284
Interest on long-term debt	8,991	9,509
Amortization	7,461	7,236
Contributions for social housing	6,253	5,652
Leasing	2,970	2,766
Contributions for market housing	1,094	1,170
Homeownership programs		
Homeownership grants and contributions	5,787	6,625
Provision for impaired mortgages	3,187	1,286
Mortgage subsidies, net of recoveries	-	1,911
Administration (Note 14)	19,392	18,621
	<u>84,198</u>	<u>82,845</u>
Revenues and recoveries		
Rental revenue	4,058	3,468
Subsidy recoveries, net of subsidies	2,747	-
Other revenue and recoveries	1,691	1,572
Gain on disposal of capital assets	1,455	1,478
Investment revenue	776	794
Mortgage interest revenue	270	217
Recovery of prior year grants	176	57
	<u>11,173</u>	<u>7,586</u>
Net cost of operations prior to government funding	<u>73,025</u>	<u>75,259</u>
Government funding		
Government of the Northwest Territories (Note 6)	50,220	40,632
Canada Mortgage and Housing Corporation (Note 15)	18,365	33,466
Amortization of deferred capital funding (Note 13)	5,229	3,600
	<u>73,814</u>	<u>77,698</u>
Net funding of operations	<u>\$ 789</u>	<u>\$ 2,439</u>

The accompanying notes form an integral part of the consolidated financial statements.

NORTHWEST TERRITORIES HOUSING CORPORATION

Consolidated Statement of Equity

For the year ended March 31, 2006

(in thousands)

	<u>2006</u>	<u>2005 restated (Note 3)</u>
Equity of the Government of the Northwest Territories, beginning of the year	\$ 6,400	\$ 2,015
Effect of change in accounting policy (Note 3)	-	(228)
Equity of the Government of the Northwest Territories, Beginning of the year, as restated	6,400	1,787
Net funding of operations	789	2,439
	7,189	4,226
Funding from the Government of the Northwest Territories		
Acquisition of non-depreciable capital assets	2,183	1,905
Long-term debt principal repayment	288	269
Equity of the Government of the Northwest Territories, end of the year	\$ <u>9,660</u>	\$ <u>6,400</u>

NORTHWEST TERRITORIES HOUSING CORPORATION**Consolidated Statement of Cash Flows**

For the year ended March 31, 2006

(in thousands)

	2006	2005 restated (Note 3)
Cash flow from operating activities		
Cash received from:		
Government of the Northwest Territories	\$ 53,274	\$ 42,023
Canada Mortgage and Housing Corporation (CMHC)	18,914	29,635
Rental revenue	4,189	3,866
Miscellaneous revenue and recoveries	2,446	2,379
	<u>78,823</u>	<u>77,903</u>
Cash used for:		
Local Housing Authority and Association operations	(28,816)	(26,844)
Administration	(15,369)	(16,351)
Interest on long-term debt	(8,981)	(9,520)
Repairs, maintenance and other costs	(8,518)	(8,364)
Homeownership grants and contributions	(3,955)	(6,305)
Contributions for social housing	(3,329)	(5,542)
Mortgage subsidies	(1,695)	(3,387)
Contributions for market housing	(1,047)	(1,170)
	<u>(71,710)</u>	<u>(77,483)</u>
Net cash provided by operating activities	<u>7,113</u>	<u>420</u>
Cash flow from financing activities		
From the Government for capital assets	15,822	12,962
From CMHC for loan repayment	4,253	3,831
Repayment of long-term debt and capital leases	(5,514)	(5,010)
Net cash provided by financing activities	<u>14,561</u>	<u>11,783</u>
Cash flow from investing activities		
Mortgage payments received	841	847
Proceeds on sale of capital assets	4,538	3,379
Capital assets purchased	(19,124)	(13,585)
Fixed-term investments sold (purchased)	990	(3,323)
Short-term investments sold (purchased)	(2,735)	1,699
Net cash used by investing activities	<u>(15,490)</u>	<u>(10,983)</u>
Net increase in cash	6,184	1,220
Cash, beginning of the year	<u>3,708</u>	<u>2,488</u>
Cash, end of the year	<u>\$ 9,892</u>	<u>\$ 3,708</u>

The accompanying notes form an integral part of the consolidated financial statements.

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Consolidated Financial Statements

March 31, 2006 (in thousands)

1. PURPOSE OF THE ORGANIZATION

The Northwest Territories Housing Corporation (the Corporation) is a Territorial Crown Corporation, established under the Northwest Territories Housing Corporation Act (the Act). The Corporation is exempt from income tax but is subject to Goods & Services Taxes.

The Corporation is committed to working in partnership with communities and to provide opportunities for communities to become accountable for their own choices and delivery of housing programs. Through this partnership, opportunities are provided to all community residents to have homes that support a healthy, secure, independent, and dignified lifestyle. The Corporation's principal objective is to develop, maintain, and manage public housing programs in the Northwest Territories.

The Government of the Northwest Territories (the Government) provides funding to the Corporation under Section 20 of the Act. Pursuant to provisions of this Act, the Corporation is dependent upon the Government, either directly or indirectly through guarantees, for the funds required to finance the net cost of its operations and for capital projects.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

Consolidation

These consolidated financial statements include the accounts of the Corporation and, as required by Accounting Guideline 15: Consolidation of Variable Interest Entities (AcG-15) issued by the Canadian Institute of Chartered Accountants (see Note 3), the accounts of Local Housing Associations and Authorities (LHAs), variable interest entities (VIEs) for which the risks of their operations are effectively the responsibility of the Corporation.

Consolidation requires line-by-line compilation of accounts, however detailed LHA administration costs and cash flow cost of LHA operations are not readily available. Consequently, these are disclosed as a single amount in the statement of cash flows and note 14. Inter-entity balances and transactions have been eliminated in the consolidated figures.

Contributions for social housing

Housing units owned by the Corporation are operated by local housing associations, authorities, municipalities, and bands under agreements. The operations of the housing associations and authorities are fully consolidated in these financial statements as described in the consolidation accounting policy. The Corporation also provides contributions to municipalities and bands, under similar agreements, for the annual operating requirements of these local housing organizations, net of rent revenues collected. These are recorded in these statements, on an accrual basis, but only to the extent of the Corporation's agreed upon contributions to them.

The Corporation provides subsidy assistance to various non-profit housing sponsor groups and co-operatives in accordance with operating agreements, which set out the basis on which eligibility for subsidy assistance will be determined. These expenditures are recorded based on actual or estimated costs incurred by each sponsor group in the year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition

Funding received from the Government of the Northwest Territories for operating expenses is recognized as revenue in the fiscal year for which it is approved. The portion of the funding used to purchase depreciable capital assets is recorded as deferred capital funding and is amortized on the same basis and over the same period as the related capital assets. Grant-in-lieu contributions of depreciable capital assets from the government are also recorded as deferred capital funding. The portion used for non-depreciable capital assets and long-term debt principal repayments are credited directly to equity in the year the expenditures are incurred.

Funding provided through the Government's Department of Education, Culture and Employment is under a contribution agreement and is recognized as revenue in the year in which the related expenses are incurred.

Funding from Canada Mortgage and Housing Corporation (CMHC) under the Social Housing Agreement (SHA) is restricted under provisions of the Agreement. Accordingly, federal funding is recognized as revenue in the year in which the related expenses are incurred. Funding used for the repayment of loans used to purchase capital assets approximate the annual amortization expense of these assets and is recognized as revenue in the year received.

Contributions from CMHC under the Affordable Housing Program agreement are credited against the capital costs of housing units built under the program.

Investments

Short-term investments are valued at the lower of cost or market value, invested in a money market portfolio, and not considered cash equivalents. Fixed-term investments are valued at cost; with unrealized losses only recognized when there has been a permanent decline in the value of investments. Interest income is recorded on the accrual basis.

Investment in housing projects - land and buildings

Land and buildings constructed or purchased by the Corporation for the rental portfolio are at cost. Buildings transferred from CMHC or the Government, were stated at their respective book value when transferred. This was considered a reasonable estimate of cost. Construction in progress includes amounts which may be transferred to land and buildings for rental programs and are carried at cost. Construction in progress and housing for sale, including amounts that may be transferred to homeowners and a mortgage taken back against the property, are carried at lower of cost and estimated realizable value. Housing materials are valued at lower of cost and net realizable value.

Social and market housing units are recorded as capital leases when the Corporation enters into lease agreements where, in effect, the risks and benefits of ownership are transferred to the Corporation. In such cases, the cost of the asset is determined as the discounted net present value of the minimum lease payments and is amortized using the straight-line method over the lease term. Obligations recorded under capital leases are reduced by rental payments net of imputed interest and executory costs. Interest expense is included in interest on long-term debt.

Amortization for social housing, lease/purchase housing, and market housing is provided using the declining balance method at an annual rate of 5%. The provisions for amortization begin in the year the building is completed, or transferred in, and are taken for the full year.

Housing for sale and construction in progress are not amortized.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Investment in housing projects - mortgages receivable****a) Mortgage subsidies**

The Corporation, under section 44(1) of its Act, subsidizes principal and interest payments due from homeowners under the legal terms and conditions of mortgages. These subsidies vary in amount depending on the income of the mortgagees. Subsidies are expensed in the year the mortgage is approved and are recorded as mortgage subsidies.

Accordingly, the mortgage receivable balance represents the present value of the expected future payments from clients on the mortgages, prior to an allowance for impairment. Subsequent changes to the amount of subsidy provided, resulting from changes in income of the mortgagee, are recognized in the year the changes occur.

b) Allowance for impaired mortgages

Mortgages are considered impaired when deterioration in credit quality has occurred and there is reasonable doubt as to the timely collection of principal and interest. A mortgage is considered impaired when a payment is six months in arrears. An allowance is established to reduce the recorded value of mortgages specifically identified as impaired to estimated realizable value.

Initial and subsequent increases in the amount of mortgage impairment are recorded in the year the changes occur.

c) Mortgage interest revenue

Interest income on mortgages is recorded on the accrual basis. When a mortgage becomes impaired, recognition of interest ceases. Thereafter, interest income is recognized on a cash basis, but only after prior write-offs arising from credit losses and the allowance for impairment has been recovered.

Property and equipment

Property and equipment are stated at amortized cost. Amortization is provided using the following methods and annual rates:

Office furniture and equipment	Declining balance	20%
Warehouses and offices	Declining balance	5%

Leasehold improvements are amortized on a straight-line basis over the term of the leases.

Public Service Pension Plan

Employees participate in the Public Service Pension Plan (the Plan) administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is based on a multiple of employee contributions and may fluctuate over time, depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation. The Corporation is not required to make contributions with respect to actuarial deficiencies of the Plan.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee future benefits

Under the terms and conditions of employment, employees may earn leave, severance and removal benefits based on years of service. The benefits are paid upon resignation, retirement, or death of an employee. The cost of these benefits has been determined based on management's best estimates and accrued as a liability as employees render service.

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could significantly differ from those estimates. The more significant management estimates relate to valuation of allowances for mortgages receivable and of mortgage subsidies; employee future benefits; and the allocation of the costs of administering social housing programs for CMHC.

3. CHANGE IN ACCOUNTING POLICY

Consolidation of variable interest entities

Effective April 1, 2005, the Corporation adopted Accounting Guideline 15 Consolidation of Variable Interest Entities (AcG-15) issued by the Canadian Institute of Chartered Accountants, which requires the consolidation of certain entities that are subject to control on a basis other than through ownership of a majority of voting interest. This change in accounting policy has been applied retroactively and prior years' figures have been restated.

Variable interest entities (VIEs) are defined under AcG-15 as entities that do not have sufficient equity at risk to finance their activities without additional financial support. Local Housing Authorities and Associations (LHAs) are such VIEs. The guideline requires that VIEs be consolidated with the financial results of the entity deemed to be the primary beneficiary of the VIEs' expected losses or gains, or both. The Corporation is considered the primary beneficiary of the LHAs. Therefore, for accounting purposes, the LHAs are consolidated with the financial statements of the Corporation.

The impact of the consolidation of LHAs on the financial statements at March 31, 2006 is an increase of \$3,525 (2005 - \$3,397) in assets and \$3,843 (2005 - \$3,443) in liabilities, as well as an increase in revenues of \$3,015 (2005 - \$3,652) and expenses of \$3,438 (2005 - \$3,834). The impact on consolidated net funding of operations is an increase of \$423 (2005 - \$182).

4. INVESTMENTS

a) Short-term investments

The Corporation invests in the short-term money market. The market yield of this portfolio ranged from 1.25% to 5.20% in 2006 (2005 - 1.00% to 5.20%). All instruments held are in high quality debt obligations with an average term to maturity of 36 days (2005 - 52 days).

4. INVESTMENTS (CONT'D)

b) Fixed-term investments

Issuer	Effective rate of return	2006 Term to Maturity	2005	
			Carrying Value	Carrying Value
Government of Canada	3.28%	1 to 2 years	\$ 1,031	\$ 1,031
Trust company	3.55%	1 to 3 years	1,015	1,015
Provincial government	4.54%	1 to 9 years	4,347	5,337
			<u>\$ 6,393</u>	<u>\$ 7,383</u>

The average yield of this portfolio in 2006 was 4.17% (2005 – 4.26%).

5. ACCOUNTS RECEIVABLE

	2006	2005
		(Note 3)
Trade accounts receivable	\$ 1,398	\$ 1,826
Tenant rents receivable	636	617
Receivables from related parties		
Government of the Northwest Territories	147	52
Canada Mortgage and Housing Corporation	1,364	6,166
	<u>\$ 3,545</u>	<u>\$ 8,661</u>

6. DUE FROM THE GOVERNMENT

	2006	2005
Receivable at beginning of the year	\$ 1,288	\$ 1,485
Government funding (appropriated)	(35,971)	(54,160)
Social housing rental subsidies from the Department of Education, Culture and Employment	(32,054)	-
Contributions for long-term debt principal repayment	288	269
Contributions for capital assets	16,229	13,062
Cost operations funded by GNWT	50,220	40,632
Receivable at end of year	<u>\$ -</u>	<u>\$ 1,288</u>

The Government provides funding to the Corporation under Section 20 of the *Northwest Territories Housing Corporation Act*, supplemented by an agreement respecting financial arrangements. The agreement between the Government and the Corporation was amended to allow the Corporation to keep cumulative operating surpluses and to be responsible for operating deficits. Consequently, at March 31, 2006 there is no longer any amount owing to or from the Government.

7. INVESTMENT IN HOUSING PROJECTS

a) Land and buildings

	2006			2005
	Cost	Accumulated Amortization	Net	Net
Land	\$ 230	\$ -	\$ 230	\$ 275
Housing for sale	3,920	-	3,920	4,853
Social housing	182,905	80,789	102,116	100,167
Social housing under capital lease	11,033	3,852	7,181	7,875
Lease/purchase housing	14,375	2,937	11,438	9,147
Market housing	6,462	773	5,689	5,604
Construction in progress	9,431	-	9,431	7,133
	<u>\$ 228,356</u>	<u>\$ 88,351</u>	<u>\$ 140,005</u>	<u>\$ 135,054</u>

b) Mortgages Receivable

	2006	2005
Mortgages, interest at rates varying between 5.95% and 14.25% per annum, repayable over a maximum of 25 years	\$ 16,358	\$ 13,081
Less: allowance for impaired mortgages	(12,552)	(9,683)
	<u>3,806</u>	<u>3,398</u>
Direct lending and land acquisition loans bearing interest at rates varying between 7.75% and 13.25% per annum, repayable over a maximum period of 15 years	768	818
Less: allowance for impaired mortgages	(768)	(800)
	<u>-</u>	<u>18</u>
	<u>\$ 3,806</u>	<u>\$ 3,416</u>

The recorded value of those mortgages specifically identified as being impaired is \$13,320 (2005 - \$10,483). There were no write-offs in the current year (2005 - none).

The carrying amounts of mortgages receivable should not be interpreted as the realizable value on immediate settlement of such mortgages due to uncertainty associated with such a settlement.

8. PROPERTY AND EQUIPMENT

	2006			2005
	Cost	Accumulated Amortization	Net	Net
Warehouses and offices	\$ 6,524	\$ 3,063	\$ 3,461	\$ 3,256
Office furniture and equipment	4,629	3,653	976	1,031
Leasehold improvements	657	325	332	397
	<u>\$ 11,810</u>	<u>\$ 7,041</u>	<u>\$ 4,769</u>	<u>\$ 4,684</u>

9. ACCOUNTS PAYABLE

	2006	2005 restated (Note 3)
Trade payables	\$ 9,935	\$ 10,237
Security deposits	1,244	1,178
Employee leave benefits (includes LHA benefits of \$254; 2005 - \$439)	823	1,065
Accrued interest	460	470
Wages and benefits	430	297
Prepaid rent	70	90
Deferred revenues	46	87
Payables to related parties Government of the Northwest Territories	968	416
	<u>\$ 13,976</u>	<u>\$ 13,840</u>

10. LONG-TERM DEBT

	2006	2005
Loans payable to Canada Mortgage and Housing Corporation, repayable in annual installments until the year 2033, bearing interest of 6.97% (2005 - 6.97%). The loans are guaranteed by the Government of the Northwest Territories	\$ 25,404	\$ 26,053
Mortgages payable to Canada Mortgage and Housing Corporation for units transferred under the Social Housing Agreement, maturing between the years 2006 and 2038, at interest rates ranging from 2.78% to 21.5% (2005 - 2.78% - 21.5%)	54,942	59,307
	80,346	85,360
Portion included in current liabilities	5,347	5,015
	<u>\$ 74,999</u>	<u>\$ 80,345</u>

Principal repayments and interest requirements over the life of outstanding loans are as follows:

	Principal	Interest	Total
2007	\$ 5,347	\$ 7,695	\$ 13,042
2008	5,109	7,156	12,265
2009	5,375	6,607	11,982
2010	5,074	6,062	11,136
2011	4,602	5,570	10,172
2012-2016	13,221	23,301	36,522
2017-2038	41,618	45,851	87,469

11. OBLIGATION UNDER CAPITAL LEASES

The Northwest Territories Housing Corporation is committed, in aggregate, to payments of \$1,746 per annum for 15 lease agreements for housing units that were initiated to support the Public Housing and Senior Citizens' Rent Supplement Programs and three lease agreements for market housing units. These lease agreements are based on implicit interest rates varying from 6.6% to 11.5% and expiry dates ranging from 2012 to 2023. The lease payments may be renegotiated every five years for changes in specific operating costs such as interest rates and cost of utilities. The Corporation is also responsible for other operating costs not included in the annual lease payment.

	<u>Future Minimum Lease Payments</u>	<u>Executory Costs</u>	<u>Imputed Interest</u>	<u>Lease Obligation</u>
Current				
2007	\$ 1,746	\$ 423	\$ 778	\$ 545
Long-term				
2008	1,746	423	729	594
2009	1,746	423	670	653
2010	1,746	423	611	712
2011	1,746	423	545	778
2012-2023	9,948	2,398	2,052	5,498
	16,932	4,090	4,607	8,235
Total	<u>\$ 18,678</u>	<u>\$ 4,513</u>	<u>\$ 5,385</u>	<u>\$ 8,780</u>

12. EMPLOYEE FUTURE BENEFITS**Pension Benefits**

The Corporation and all eligible employees contribute to the Public Service Pension Plan (the Plan). The Plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index.

Contributions to the Plan were as follows:

	<u>2006</u>	<u>2005</u>
Employer contributions	\$ 1,054	\$ 1,104
Employee contributions	496	521

Leave, severance, and removal benefits

The Corporation provides leave, severance and removal benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

12. EMPLOYEE FUTURE BENEFITS (CONT'D)

Liability for leave, severance, and removal benefits is as follows:

	2006	2005 restated (Note 3)
Corporate benefit liabilities		
Accrued benefit obligation, beginning of the year	\$ 2,073	\$ 2,083
(Recoveries)/costs for the year	(194)	108
Benefits paid during the year	(34)	(118)
Accrued benefit obligation, end of the year	1,845	2,073
Less: Corporate current employee leave benefits	(569)	(825)
LHA benefit liabilities	892	716
	<u>\$ 2,168</u>	<u>\$ 1,964</u>

13. DEFERRED CAPITAL FUNDING – GOVERNMENT OF THE NORTHWEST TERRITORIES

	2006	2005
Balance, beginning of year	\$ 58,803	\$ 51,245
Government funding used for depreciable capital assets	14,046	11,158
Amortization of deferred capital funding	(5,229)	(3,600)
Balance, end of year	<u>\$ 67,620</u>	<u>\$ 58,803</u>

14. ADMINISTRATION EXPENSES

	2006	2005 restated (Note 3)
Salaries and benefits	\$ 9,793	\$ 10,373
LHA administration	5,810	5,033
Building and equipment rentals	1,324	1,220
Travel and relocation	834	684
Professional and special services	739	396
Computer services	300	342
Communications	239	220
Materials and supplies	206	247
Land title fees and expenses	75	46
Workshops and studies	72	60
	<u>\$ 19,392</u>	<u>\$ 18,621</u>

15. FUNDING FROM CANADA MORTGAGE AND HOUSING CORPORATION

	2006	2005
Recoveries in respect of:		
Operations and maintenance		
Funding for social housing including loan repayment and interest expense	\$ 15,786	\$ 30,903
Repairs, maintenance, and other costs	2,579	2,563
	<u>\$ 18,365</u>	<u>\$ 33,466</u>

Under the terms of a Social Housing Agreement (SHA) with Canada Mortgage and Housing Corporation (CMHC), the Corporation assumed full responsibility and liability for the management of social housing programs specified in the SHA. The Corporation receives annual funding from CMHC to manage these programs. The SHA and the funding expire in 2038.

CMHC's ownership interest in the social housing and loan portfolio affected by the SHA is transferred to the Corporation as Trustee, in accordance with a Declaration of Trust Agreement. A portion of the SHA funding is used to make payments on portfolio-related CMHC mortgages (Note 10). As the related mortgages mature, the Corporation obtains clear title to CMHC's share of the book value of the respective assets. Until clear title is obtained, CMHC is entitled to its respective share of any gains realized upon the disposal of any portfolio assets. Effective April 1, 2005, funding under the SHA for the operations and maintenance of the social housing programs, not including loan repayment and interest, is forwarded to the Government of the Northwest Territories, as they have assumed the responsibility for the provision of all rental subsidy related to social housing.

Funding from CMHC under the Affordable Housing Program for 2006 is \$697 (2005 - \$1,495).

16. FINANCIAL INSTRUMENTS

a) Fair Value

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed-term investments	\$ 6,393	\$ 6,329	\$ 7,383	\$ 7,321
Loans payable	25,404	27,465	26,053	27,815
Mortgages payable	54,942	83,577	59,307	87,182

The fair values of the Corporation's financial instruments are estimated as follows:
Fair values for fixed-term investments are the market value as at March 31.

The fair value of loans and mortgages payable is based on an estimated market value of the debt. This is determined by applying the current yield for debt with a similar maturity date issued by the province of Newfoundland & Labrador and applying this yield to the Corporation's debt. This approach is used because the Government of the Northwest Territories does not issue debt.

The fair value of mortgages receivable is estimated to be the carrying amount due to the significant valuation allowances provided. The fair value of the remaining financial assets and liabilities approximate the carrying amounts because of the short term to maturity.

16. FINANCIAL INSTRUMENTS CONT'D

b) Credit Risk

Investments are managed by external investment managers. All investments have an R-1 medium or an AA rating or higher from the Dominion Bond Rating Service. Investments are limited to a maximum of 10% to 50% of the total portfolio and a maximum dollar value of \$10 million depending on the issuer of the investment. There is no significant concentration in any one investment counterparty.

Accounts receivable are primarily amounts due from the Government, CMHC, and federal Goods and Services Tax rebates, which in aggregate represent 48% (2005 - 78%) of balances outstanding.

Mortgage credit risk arises from the possibility that clients might be unable to fulfill their obligation under mortgage contract. This risk is mitigated by verifying employment status and income, and by performing a credit assessment which includes ensuring there are no rent arrears with local housing organizations.

Loan guarantees provided by the Corporation to banks are in respect of loans advanced to individual homeowners and contractors throughout the territory. Guaranteed loans mature at various dates to the year 2023. Losses relating to loan defaults are not significant to the Corporation's 2006 operations.

17. CONTINGENCIES

The Corporation provided guarantees to banks financing certain new or renovated residential housing construction. As at March 31, 2006 a total of 46 (2005 - 44) loan guarantees were in effect, and the outstanding balance of loans guaranteed was \$10,701 (2005 - \$11,676).

Under the terms of the Social Housing Agreement with CMHC, the Corporation is responsible for the administration of a number of loans to third parties, where CMHC is the lender or insurer of these loans. The agreement provides that the Corporation shall indemnify and reimburse CMHC for and save it harmless from all losses, costs and expenses related to these loans. The outstanding balances of these third party loans as at March 31, 2006 is \$36,392 (2005 - \$37,781).

The outstanding balances represent the maximum amount of future loan principal payments under the guarantees and indemnities. In the event of default by the borrowers, the lenders could request payment from the Corporation. However the debts are secured by property which could also be sold to cover the guaranteed debt. The value of the underlying assets is considered to be sufficient to cover the debts.

No claims have been made on guarantees and no accrued liabilities recorded for 2006 (2005 - nil).

18. COMMITMENTS

The Corporation leases office space and rent supplement public housing units and is committed to basic rental payments as follows. The leases contain escalation clauses for operating costs and property taxes, which may cause the payments to exceed the basic rental.

	Total
2007	\$ 3,877
2008	3,505
2009	3,169
2010	2,231
2011	1,972
After	7,598
Total	<u>\$ 22,352</u>

19. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business, under terms and conditions similar to those with unrelated parties.

20. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to confirm to the current year's financial presentation.